

acquire additional 800 MHz spectrum in Puerto Rico, the Company retained the services of McConnell Valdes and Adsuar, Muniz, Goyco & Besosa in Puerto Rico for general corporate legal work and advice. In April Preferred retained Bond & Pecaro to conduct extensive research and prepare a business plan and an appraisal of the Puerto Rican wireless communications market.

2000

Role

Charles Austin	President and CEO, Chairman of the Board
Michelle Bishop	Secretary/Treasurer
Brown, Nietert, & Kaufman	FCC Counsel
Adsuar, Muniz, Goyco & Besosa	Puerto Rico Legal Counsel
Gerard Singer & Levick	Legal Services
Rini, Coran & Lancellotta	Consulting Services
Mark Saltzman	Legal Services
Jorge Toro-McCown	Puerto Rico Legal Services
Janel Roberts	Accounting Services
Neu, Minnich, Comito & Neu	Legal Services
Concepts To Operations, Inc.	RF Engineering
Bond and Pecaro	Consulting Firm
Brad Austin	Auction Team
Jay Bishop	Consultant
Pendleton Waugh	Consultant (until December)
Capital Alliance Corporation	Investment Banking Services

In 2000, Charles Austin managed the day-to-day operations of the Company and was responsible for all decisions made by or on behalf of Preferred. A majority of the Company's documents were reviewed by him and prepared for his signature. Ms. Bishop continued to serve as the Secretary Treasurer of the corporation and worked with Lori Tobin at Brown, Nietert, & Kaufman's office on all things related to licensing and FCC filings. Janel Roberts continued to assist Charles Austin in the areas of accounting and bookkeeping. Brown, Nietert & Kaufman continued to be our primary FCC legal counsel. Jay Bishop, the husband of the Secretary/Treasurer, worked on license acquisitions. PCSI continued its relationship with Pendleton Waugh, as a consultant, to provide telecom and FCC licensing advice for a portion of the year. Neu, Mimich, Comito & Neu continued to be used for legal defense against several frivolous legal actions taken against the Company. The law firm of Gerard Singer & Levick provided legal advice concerning acquisition of certain assets in U.S. Bankruptcy proceedings. PCSI continued receiving the engineering services of Concepts To Operations. Adsuar Muniz, Goyco & Besosa maintained as primary firm in Puerto Rico for general corporate work. In addition, PCSI retained Rini, Coran & Lancellotta for spectrum assistance in reviewing various MMDS and LMDS licenses. Mark Saltzman was retained for litigation support on internal matters to the corporation. Jorge Toro-McCown provided legal services for additional license acquisition in the Puerto Rican market.

2001

Role

Charles Austin	President and CEO, Chairman of the Board
Michelle Bishop	Secretary/Treasurer (Ending on 5/30/01)
Linda McClain	Secretary/Treasurer (Beginning on 5/31/01)
Charles Guskey	Consultant

John Powers
 EquiCap Partners, LLC
 Brown, Nietert, & Kaufman
Woods & Woods
 Adsuar Muniz, Goyco & Besosa
 Mark Saltzman
Concepts To Operations, Inc.
 Jay Bishop
 Pendleton Waugh

Consultant
 Investment Banking Consultants
 FCC Counsel
Puerto Rico Legal Services
 Puerto Rico Legal Counsel
 Legal Services
 RF Engineering
 Consultant (Ending April 2001)
 Consultant (Beginning November 2001)

In 2001, Charles Austin managed the day-to-day operations of the company and was responsible for all decisions made by or on behalf of Preferred. With the completion of FCC Auction 34, the need for additional staff and personnel increased considerably. While a majority of the documents from the corporation were prepared for Mr. Austin's signature, additional staff assisted him in the performance of his duties. In May 2001, Ms. Bishop resigned from her position as Secretary/Treasurer of Preferred. Linda McClain replaced Ms. Bishop as Secretary/Treasurer of Preferred. In addition to her duties as an officer of Preferred, Ms. McClain began providing accounting services for the Company. Having paid for the EA authorizations in December 2000, Charles Guskey returned and redrafted the Company's business and marketing plans and assisted the Company in negotiating with Motorola, Inc. with respect to the construction of a major SMR system in Puerto Rico and the U.S. Virgin Islands. During March-May, Preferred sought to recruit John Powers as its Chief Operating Officer but could not reach a mutually acceptable employment agreement with him. In November, Preferred retained Woods & Woods to assist it with respect to litigation matters in Puerto Rico. Seeking to acquire additional 800 MHz spectrum in Puerto Rico and to construct a major SMR system in Puerto Rico and the U.S. Virgin Islands, the Company continued the services of Adsuar Muniz, Goyco & Besosa in Puerto Rico for general corporate legal work. Jay Bishop, the husband of then Secretary/Treasurer, assisted the Company in acquiring additional 800 MHz site licenses acquisitions until May 23rd. Upon his felony conviction at trial and subsequent sentencing hearing, both he and his wife terminated their involvement with Preferred. In November, the Company renewed its relationship with Pendleton Waugh as a consultant who provided FCC licensing advice. Preferred retained EquiCap Partners, LLC to assist it in securing considerable equity capital and debt financing to construct a major SMR system in Puerto Rico and the U.S. Virgin Islands. The Company continued to retain Concepts To Operations to provide consulting services focusing on engineering and operational design of the proposed 800 MHz system both in Puerto Rico and the U.S. Virgin Islands and the continental United States.

2002

Role

Charles Austin	President and CEO, Chairman of the Board
Linda McClain	Secretary/Treasurer
Charles Guskey	Consultant
Kevin Hessee	Consultant
Edward Aruda	Contract Services
Brown, Nietert, & Kaufman	FCC Counsel
Hallett & Perrin	Corporate Counsel
James Roberts	Consulting Services
Concepts to Operations, Inc.	RF Engineering

In 2002, the 800 MHz Public Safety Interference proceeding (WT 02-55) before the Commission and the collapse of the stock prices of most, if not all, of the major wireless *operating companies substantially impacted the ability of Preferred to continue its operations at their 2000-2001 level.* As a result, Preferred was forced to terminate several of its consulting agreements and to renegotiate others to lower the Company's operating costs. Charles Austin continued to be the sole manager of the day-to-day operations of the company and was responsible for all decisions made by or on behalf of Preferred. Ms Linda McClain continued in her role of Secretary/Treasurer of the Corporation and became solely responsible for the accounting and bookkeeping function of the company. PCSI continued its relationship with Pendleton Waugh, as a consultant, to provide FCC licensing advice. Concepts To Operations, Inc. continued to provide consulting services focusing on engineering and operational design of the proposed 800 MHz system in both Puerto Rico and U.S. Virgin Islands and the continental United States. Charles Guskey continued to provide marketing and business plans and filings in the 800 MHz Public Safety Interference proceeding. Brown, Nietert & Kaufman continued to assist the Company with respect to FCC matters. The Company also retain Hallett & Perrin to assist it with general corporate legal matters. Preferred retained James Roberts to provide specialized services in securing equity capital and debt financing. The Company added Kevin Hessee and Edward Aruda as consultants to assist it in raising operating capital.

2003

Role

Charles Austin	President and CEO, Chairman of the Board
Linda McClain	Secretary/Treasurer
Charles Guskey	Consultant
The Controller Group	Accounting Firm
Brown, Nietert, & Kaufman	FCC Counsel
Hallett & Perrin	Corporate Counsel
Concepts To Operations, Inc.	RF Engineering
Pendleton Waugh	Consultant

Due to the continuing negative impact of both the 800 MHz Public Safety Interference proceeding before the Commission and the collapse of the stock prices of most major wireless companies on Preferred, the Company further decreased its operating budget and costs. Charles Austin continued to manage the day-to-day operations of the Company and was responsible for all decisions made by or on behalf of Preferred. Ms Linda McClain continued her role as Secretary/Treasurer for the Company and functioned as its accountant and day-to-day bookkeeper. Preferred retained The Controller Group to assist Ms. McClain in reorganizing the Company's financial book and records from 1998-2001. Charles Guskey continued to provide marketing and business plans and filings in the 800 MHz Public Safety Interference proceeding. Preferred continued to retain Hallett & Perrin to assist it with respect to general corporate legal matters. The Company continued its relationship with Pendleton Waugh as a consultant, to provide FCC licensing advice. Concepts To Operations, Inc. continued to provide consulting services focusing on engineering and operational design of the proposed 800 MHz system in Puerto Rico and the continental United States and conduct studies with respect to the Consensus Parties' and Nextel's rebanding proposals in the 800 MHz Public Safety Interference proceeding. In November 2003, Concepts To

Operations, Inc. submitted a major study to the FCC demonstrating that even when using conservative assumptions the total cost of reorganizing the 800 MHz Private Land Mobile Radio Band would likely exceed \$3.36 billion rather than the \$500 million then forecast by Nextel Communications, Inc. and the other members of the so-called *Consensus Parties*.

2004	Role
Charles Austin	President and CEO, Chairman of the Board
Linda McClain	Secretary/Treasurer
Charles Guskey	Consultant
Brown, Nietert, & Kaufman	FCC Counsel
Hallett & Perrin	Corporate Counsel
Concepts To Operations, Inc.	RF Engineering
Pendleton Waugh	Consultant

In 2004, the primary focus of Preferred and its staff was the FCC 800 Public Safety Interference proceeding before the Commission. With the regulatory uncertainty continuing with respect to the treatment of the Company's EA authorizations, the Company continued to reduce its operating budget and costs. With the death of Chandu Patel in March 2003 and the unfamiliarity of his family with the wireless industry and Preferred, the Company was forced to intensify its search for additional and alternative funding sources. Charles Austin managed the day-to-day operations of the Company and was responsible for all decisions made by or on behalf of Preferred. Charles Guskey continued to provide marketing and business plans and filings in the 800 MHz Public Safety Interference proceeding. Preferred continued its relationship with Pendleton Waugh as a consultant to provide FCC licensing advice and advice with respect to certain issues in the 800 MHz Public Safety Interference proceeding. Concepts To Operations, Inc. continued to provide consulting services focusing on engineering and operational design of the proposed 800 MHz system in Puerto Rico and the continental United States and conduct studies with respect to the Consensus Parties' and Nextel's rebanding proposals in the 800 MHz Public Safety Interference proceeding.

2005	Role
Charles Austin	President and CEO, Chairman of the Board
Linda McClain	Secretary/Treasurer
Patton Boggs, LLP	FCC Counsel
Hallett & Perrin	Corporate Counsel
The Controller Group	Accounting Firm
VCFO	Accounting Firm
Whitley Penn	Accounting Firm
Montgomery, Coscia, Greilich	Corporate Tax Counsel
Media First	Public Relations
EquiCap Partners, LLC	Investment Banking Consultants
Kent Maerki	Consultant
Concepts To Operations, Inc.	RF Engineering Project Management
Charles Ryan	In-house Legal Counsel/Site Acquisitions
Al Goodman	Engineer
Freedoms Design	Graphic Design Services

Dallas Interactive	Graphic Design Services
Michael Lawler	Office Assistant
Clementine Estrada (TNT Productions, Inc.)	Consultant (Jan)
Robert Estrada	Office Manager (From Feb to May)
Ronald Cocks	Office Manager (Beginning in May)
Rachele D'Amato	Marketing Director (Beginning in Sept)
Rachel Kosek	Employee
Lynn Flanders	Employee
Talia Hassebrock	Employee
Terri Roller-Reese	Employee
Jeanna Fournier	Employee
Shera Fournier	Employee
Rosemary Huston	Employee
Pendleton Waugh	Consultant
Vineyard Investment Group, LLC	Consultant

In 2005, the FCC issued its Fifth Report and Order in its 800 MHz Public Safety Interference proceeding and finally provided the Company with relative certainty with respect to the regulatory treatment of both its 800 MHz EA authorizations and its site licenses. As a result, Preferred began increasing its staff and consultants and expanded its operations. During this year the Company began executing its business plan and focused upon (a) acquiring additional sources of funding, (b) purchasing additional 800 MHz licenses and SMR operating companies and (c) construction of its EA authorizations to meet the FCC's five (5)-year construction deadline. Charles Austin continued to manage the day-to-day operations of the Company and was responsible for all decisions made by or on behalf of Preferred, which included opening a second Company office in California and a substantial effort to raise additional equity capital and arrange debt financing. Ms Linda McClain continued as Secretary/Treasurer. In addition, the Comptroller Group continued to assist the Company with respect to accounting and bookkeeping matters. The Company retained VCFO to replace the Comptroller Group in assisting Ms. McClain in reorganizing Preferred's financial books and records for the period 1998-2001. Preferred retained Whitley Penn in August to perform an audit to assure that financial statements were free of material misstatements. Preferred further retained Hallett & Perrin to assist it with respect to general corporate matters. The Company continued its relationship with Pendleton Waugh as a consultant to provide FCC licensing and advice with respect to certain issues in the 800 MHz Public Safety Interference proceeding. Mr. Waugh also assisted certain individuals with whom he had a longstanding relationship in raising equity capital and arranging debt financing for Preferred. Concepts To Operations, Inc. continued to provide consulting services focusing on engineering and operational design of the proposed 800 MHz system in Puerto Rico and the continental United States. In May, the Company terminated its contacted relationship with Clementine Estrada. Concerned with outcome of the 800 MHz Public Safety Interference proceeding and anticipating the necessity of challenging certain of the Commission's decisions by filing a judicial appeal, Preferred retained the law firm of Patton Boggs, LLP for FCC-related legal advice and filings. To assist Preferred and Concepts To Operations, Inc. with the construction of the Company's EA authorizations, Preferred agreed to provide funds for Concepts To Operations, Inc. to hire Al Goodman and Charles Ryan for engineering and site acquisition. As the Company's finances improved during the year, Preferred hired full-time employees for certain positions. The Company also increased both the number and usage of its

consultants and contractors. In seeking additional funding sources, PCSI contracted with Clementine Estrada and Vineyard Investment Group, LLC as consultants.

2006	Role
Charles Austin	President and CEO, Chairman of the Board
Linda McClain	Sec Treasurer
Patton Boggs, LLP	FCC Counsel
Hallett & Perrin	Corporate Counsel
VCFO	Accounting Firm
Whitley Penn	Accounting Firm
Kent Maerki	Consultant
Concepts to Operations	RF Engineering Project Management
Charles Ryan	In-house Legal Counsel/Site Acquisitions
Freedoms Design	Graphic Design Services
Al Goodman	Engineer
Michael Lawler	Office Assistant
Robert Estrada	Office Manager (From January 1 to July 31)
Ronald Cocks	Marketing Director (From January 1 to July 31)
Rachele D'Amato	Employee
Rachel Kosek	Employee
Lynn Flanders	Employee
Talia Hassebrock	Employee
Terri Roller-Reese	Employee
Riley Cocks	Contract Labor
Frank Manfredi	Contract Services
Charles Brass	Contract Services
Pendleton Waugh	Consultant
Joe Hills II	Contract Services
Geoffrey Johnson	Contract Services
Alicia Maerki	Contract Services
Shelley Maule	Contract Services
Noreen Maule	Contract Services
Martin Grant	Contract Services

In 2006, Charles Austin managed the day-to-day operations of the company and was responsible for all decisions made by or on behalf of Preferred. A majority of the documents from the Company were reviewed by him and prepared for Mr. Austin's Signature. Ms. Linda McClain continued as Secretary/Treasurer. The law firm of Hallett & Perrin continued to provide legal assistance to Preferred and PAI for the purposes of drafting certain corporate documents, a Confidential Private Placement Memorandum for certain notes and drafting documents to effectuate an anticipated reorganization and recapitalization of Preferred. Mr. Waugh continued to work as a consultant to the Company. Patton Boggs, LLP was retained to assist in response to an SEC investigation (January 10, 2006) and an FCC Letter of Inquiry dated June 30, 2006. The engineering firm of Concepts To Operations, Inc continued to provide engineering support, analysis and design services for Preferred's construction of SMR systems in both Puerto Rico and the U.S. Virgin Islands.

2007

Charles Austin

Linda McClain

Patton Boggs

Hallett and Perrin

VCFO

Whitley Penn

Concepts to Operations

Charles Ryan

Freedoms Design

Al Goodman

Michael Lawler

Rachele D'Amato

Joe Hills II

Pendleton Waugh

Martin Grant

Role

President and CEO, Chairman of the Board

Secretary/Treasurer

FCC Counsel

Corporate Counsel

Accounting Firm

Accounting Firm

RF Engineering Project Management

In-house Legal Counsel/Site Acquisitions

Graphic Design Services

Engineer

Office Assistant

Employee

Contract Services

Consultant

Contract Services

In 2007, Charles Austin manages the day-to-day operations of the company and is responsible for all decisions made by or on behalf of Preferred. A majority of the documents from the corporation are prepared for Mr. Austin's Signature. Ms. Linda McClain continues as an officer of the corporation in the role of *Secretary/Treasurer*. The law firm of Hallett & Perrin continues to provide legal assistance to PCSI and PAI for the purposes of corporate clean up, drafting a Private Placement Memorandum for certain notes and drafting documents to effectuate an anticipated reorganization and recapitalization of Preferred. Patton Boggs continues to assist in response to an SEC investigation and an FCC LOI dated June 30, 2006. The engineering firm of Concepts To Operations, Inc continues to provide engineering support, analysis and design services for the Company's projected system build out of Puerto Rico and the Continental United States

Agreements are provided at privilege log (001002-001111) and confidential log at (001112-001176).

INQUIRY 21

Describe PAI's ownership structure for each year from 1998 to Present. Identify all officers and members of PAI's Board of Directors. Provide a curriculum vitae for each officer and Board member.

PAI is a wholly owned subsidiary of Preferred. PAI was incorporated in Puerto Rico on July 23, 1999. As noted in the Response to Inquiry #22, Charles M Austin and Michelle Bishop served as the sole officers and directors of PAI until May 31, 2001 when Ms. Bishop resigned and Ms. Linda McClain became the Vice President/Secretary. At the time of the incorporation, the listed members of the Board of Directors was Michelle Bishop. A copy of PAI's corporate book is provided at (000069-000116). Mr. Charles M. Austin's curriculum vitae is provided at (001177). Ms. Linda McClain's curriculum vitae is provided at (000062).

INQUIRY 22

Describe PAI'S corporate structure, including all states in which it is, or ever has applied to be, incorporated and/or authorized to do business, and identify all offices, agents, or employees.

- (a) Identify all subsidiaries and affiliates, if any, and describe their respective corporate structures.
- (b) State whether PAI has held or plans to hold any annual meetings and, if so, when. Provide a list of all attendees of such meetings. Provide copies of Documents regarding such meetings.

Preferred Acquisitions Incorporated was incorporated in the Commonwealth of Puerto Rico on July 23, 1999. A meeting was held on September 30, 1999 to serve as the initial meeting of the Corporation. A meeting was held on January 7, 2000 concerning the issuance of 100,000 shares of PAI stock to PCSI. A meeting was held on or about July 6, 2000 concerning a \$1,325,000 loan from ADS Partnership. A meeting was held on or about September 7, 2000 concerning the \$5,032,000 loan to the Corporation from Amide. A meeting was held on December 1, 2000 concerning a \$25,337,000 loan from Chandu Patel. A meeting was held on January 9, 2001 to validate the actions of Mr. Austin and Ms. Bishop. A meeting was held on May 31, 2001 to accept the resignation of Michelle Bishop and name Ms. Linda McClain as her replacement. A meeting was held January 9, 2002 to validate the actions of the Board of Directors. A meeting was held January 9, 2003 to validate the actions of the Board. No other meetings have been held since January 9, 2003 for the corporation. Mr. Charles Austin remains President and Treasurer and Ms. Linda McClain remains Vice-President and Secretary. A copy of the corporate book is provided as (000069-000116).

INQUIRY 23

Describe Preferred's ownership structure for each year from 1998 to Present. Identify all officers and members of Preferred's Board of Directors. Provide a curriculum vitae for each officer and Board member.

Preferred was incorporated in the State of Delaware on or about January 17, 1998. An amended Certificate of Incorporation was filed in Delaware on April 29, 1999 and Charles M. Austin was elected President and Michele Bishop was elected Secretary and Treasurer. An initial Meeting of the corporation was held on January 17, 1998. On April 23, 1999, by resolution 800,000 shares of stock were issued to Mr. Charles Austin. Meetings were held on January 9, 2000, January 10, 2000, January 9, 2001, January 10, 2001, January 9 2002, January 10 2002, January 9, 2003 and January 10, 2003. On May 31, 2001 a meeting was held to accept the resignation of Michelle Bishop and to elect Ms. Linda McClain as the Company's Secretary and Treasurer. Preferred has provided a copy of its corporate book maintained in its Irving, Texas office as (000752-001001).

Mr. Charles M. Austin's curriculum vitae is provided as (001177). Ms. Linda McClain's curriculum vitae is provided as (000062).

INQUIRY 24

Describe Preferred's corporate structure, including all states in which it is, or has ever applied to be, incorporated and/or authorized to do business, and identify all officers, agents, and employees.

On January 15, 1998 Articles of Incorporation were filed with the State of Delaware for Preferred. As a result of the intent to construct the operating system for Preferred, Notice of Foreign Registration was filed in Maryland and Virginia. As of the date of this response, PCSI is registered in the following states: Maryland, Virginia, California, Arizona and Texas:

As of the date of this response PCSI has:

Charles M Austin	President	Employee
Linda McClain	Secretary Treasurer	Employee
Michael Lawler	Office Assistant	Contract Labor
Rachael D'Amato	Administrative Assistant	Employee
Concepts To Operations, Inc.	Engineering and Site Acq	Consultant
Pendleton Waugh	Marketing	Consultant

(a) Identify all subsidiaries and affiliates, if any, and describe their respective corporate structures.

On July 23, 1999 Articles of Incorporation were filed in Puerto Rico for PAI. On December 6, 2006 Preferred Communications of Puerto Rico a wholly owned subsidiary of Preferred was incorporated in Puerto Rico. Its corporate structure has yet to be fully set, but it will be identical to PCSI. Ms. McClain is listed as the initial director.

(b) State whether Preferred has held or plans to hold any annual meetings and, if so, when. Provide a list of all attendees of such meetings. Provide copies of Documents regarding such meetings.

As of the date of this response, PAI and PCSI have not held annual meetings, or Board meetings since 2003. A copy of the corporate book is provided as (000752-001001).

INQUIRY 25

Specify, by date, amount, and recipient, all shares of stock PCSI and its subsidiaries have ever issued. *Provide copies of such certificates. If stock certificates are unavailable to document any issuances, so state, and explain why.*

As of the date of this response, PAI has issued one certificate of stock to Preferred. No other shares have been issued.

A copy of PCSI's stock holders has been provided at (000064-000068).

A copy of PCSI's corporate book has been provided at (000752-001001).

INQUIRY 26

State whether PCSI has ever issued, or planned to issue, founders shares of stock (aka "founders stock"). If so, define and describe the founder's shares of stock, the number of total shares issued, to whom it was or will be issued, the date(s) of such issuance(s), whether such issuances remain in the ownership of those to whom they were originally issued, and the number of outstanding shares. Provide copies of all supporting Documents.

Please refer to the response to Inquiry #1.

INQUIRY 27

State whether any intermediate or extended family members of Mr. Austin, Mr. Waugh, or Mr. Bishop have been employees, independent contractors, consultants, creditors, investors, and/or shareholders in PCSI. If so, identify the name, current or last known address, relationship to the listed individuals, association with PCSI, and timeframe of such association.

Mr. Austin's brother Brad Austin provided independent contractor services and his father Lynn Austin provided short-term loans to the company on several occasions. Neither Brad Austin or Lynn Austin or any other family member has been an employee, investor and/or shareholder of Preferred.

Brad Austin
1868 L. Street
San Miguel, CA 93451

Brad was hired to provide assistance to Preferred prior to and during FCC Auction #34 (July 2000 - September 2000).

Lynn Austin
7545 Cortina Ave
Atascadero, CA 93422

Lynn provided the small short-term loans to the Company mentioned above in 2004.

Answer as it relates to Mr. Waugh:

No family member has been an employee, independent contractor, consultant, creditor, investor, and/or shareholders of Preferred.

Answer as it relates to Mr. Bishop:

Mrs. Michelle Bishop
1190 South Farrell Dr.
Palm Springs, CA 92264

Mr. Bishop's wife, Michelle Bishop, served as the Company's secretary/treasurer from January 1998 to May 31, 2001. No other family member has been an employee, independent contractor, consultant, creditor, investor, and/or shareholders of the Company.

INQUIRY 28

Provide certified copies of all conviction and sentencing records, and any other
Documents related to all of Mr. Waugh's felony convictions.

Preferred does not have in its possession a certified copy of Mr. Waugh's convictions and sentencing documents. Mr. Waugh has been requested to provide those documents to PSCI. Mr. Waugh has contacted the clerk of courts possessing such records and requested that they provide certified copies on an expedited basis. Once the Company receives such certified copies, it will forward them to the Commission.

INQUIRY 29

Describe in detail how and when Mr. Austin learned of Mr. Waugh's felony convictions.

Mr. Austin was informed of Mr. Waugh's federal conviction by a letter sent to him and others by Mr. Waugh in October 1994 discussing Mr. Waugh's guilty plea. Mr. Austin learned of Mr. Waugh's state conviction in May 1999 pursuant to a telephone call from Mr. Waugh.

INQUIRY 30

State whether Jay R. Bishop is a convicted felon. If so, describe the nature of all such felony convictions and provide certified copies of all conviction and sentencing records, and any other Documents related to all of Mr. Bishop's felony convictions. Describe in detail how, Mr. Austin came to hire Mr. Bishop.

Mr. Bishop was convicted in November 2000 of federal tax evasion. The Company does not possess copies of his conviction and sentencing records.

Mr. and Ms. Bishop were longstanding personal friends of Mr. Austin. Mr. Austin hired both Mr. and Ms. Bishop in January 1998, when they were seeking to defend themselves against both the SEC and IRS with limited financial resources. During the company's start-up phase, based upon his longstanding relationship with the Bishops Mr. Austin believed that Mr. and Ms. Bishop possessed certain skills that would prove valuable to enable the Company to grow rapidly. The Company was undercapitalized and Mr. Austin could not offer much in the way of a salary to either of the Bishops. Founder stock (predicated upon forming a trust) was promised in exchange for helping start the company.

INQUIRY 31

Identify all other PCIS employees, managers, contractors, consultants, agents, and consultants other than Mr. Waugh and Mr. Bishop who have felony convictions. Describe the nature of all such convictions and provide certified copies of all conviction and sentencing records, and any other Documents related to any felony convictions.

As of the date of this response and a review of the list of employees, managers, contractors, consultants, agents who have provided services to Preferred Communications since January 1, 1999 to present, there are no other individuals who have indicated to Charles M. Austin that they have been convicted of any felonies.

INQUIRY 32

Describe the nature of the association of Mr. Bishop with PCSI, including whether he has been an employee, independent contractor, agent, consultant, creditor, investor, shareholder, and/or beneficiary of any trust that has or has had an ownership interest in either or both of Preferred or PAI during the period of time covered by this LOI.

In 1999 Mr. Jay Bishop was hired as an independent contractor/consultant. There was no written agreement with him at that time. As noted in the response to Inquiry #1 and Inquiry #30, Mr. Austin and the Bishops have a verbal agreement that upon their formation of a valid voting trust complying with FCC and SEC rules and such trusts tendering funds in an appropriate amount to the Company and receiving final approval from the Commission of a transfer of control application, Preferred will issue 800,000 shares of Common Stock to such voting trust.

As of the date of this response no shares have been issued to Jay Bishop, Michele Bishop, a trust, or anyone associated with the Bishops.

INQUIRY 33

State whether PCSI, Mr. Austin, or Mr. Waugh borrowed money, or exchanged any *services, property, assets, and/or investments for money, from Chandu Patel, his estate, his spouse, any of his children, any other immediate or extended family members, and/or Amide Pharmaceutical, Inc.* If so, as to each instance of borrowing: (a) state the date; (b) state the amount borrowed; (c) describe the terms and status of the loan; (d) identify the borrower and creditor of each such loan; and (e) identify any services, property, assets and/or investments exchanged. For any loans in which the borrower is PAI or Preferred, identify the individual(s) or entities that obtained the loan on behalf of such corporation.

In response to Inquiry #33, Charles M. Austin prepared a detailed chart concerning both documented and undocumented, corporate and personal loans made to PCSI, PAI, Mr. Charles Austin and Mr. Pendleton Waugh by Chandu Patel, his estate, his spouse, any of his children, any other immediate or extended family members, and/or Amide Pharmaceutical, Inc. (000170-000171).

INQUIRY 34

Provide copies of the following Documents:

- (a) All Documents Preferred filed with the Commission or any other regulatory agency regarding its request for the grant of its eighty-eight (88) General Category Specialized Mobile Radio ("SMR") licenses.

Preferred does not have a complete file of all documents filed with the Commission with respect to its 88 General Category Specialized Mobile Radio licenses. Preferred's nine years of documents are contained in subject matter files in boxes both in closed files and in storage. Due to the 30-day response period of this inquiry, Preferred is unable to provide all such documents. Preferred has provided (000117-000169) copies of correspondence filed by Patton Boggs LLP, its FCC counsel since March 2005, which was provided to us in response to our request visa via Inquiry 24. Preferred will endeavor to review subject matters and attempt to locate additional correspondence which should be contained in the Commission's own files. Should Preferred locate additional copies of said correspondence in its due diligence, it will supplement this response.

- (b) Individual federal and state income tax returns for Mr. Waugh and Mr. Bishop for each year beginning in 1998 and continuing to the Present.

Requests have been made to Mr. Waugh and Mr. Bishop for their individual tax returns. The Company will forward the documents when it is in receipt of them.

- (c) All corporate income tax returns for PCSI from 1998 to the present.

On August 16, 2005, Preferred Communication Systems, Inc. retained Whitley Penn, a Certified Public Accounting and Consulting firm, to assist in a corporate accounting and tax audit from 1998 to present and the preparation of current and past filings of corporate tax returns. The Company will forward the returns as they come available.

INQUIRY 35

On December 14, 2005, PAI filed a request for waiver of the Commission's construction deadlines for its Economic Area ("EA") 800 MHz SMR licenses. Included with the waiver request was a declaration signed by Charles M. Austin, dated December 1, 2005 (the "Declaration").

- (a) Paragraph 2 of the Declaration states that "Preferred has executed contracts with experienced companies to provide engineering drawings (Clark Nexsen) and construction services for (SiteMaster) for each of the sites in its proposed systems." Provide copies of all of the contracts referenced therein and all related Documents.

On November 9, 2005, in preparation for construction of sites PCSI executed an agreement with SiteMaster a recognized contractor for American Tower and Crown Castle. On November 9, 2005, as part of the agreement, Preferred issued check no. 1701 in the amount of \$20,000 for construction of sites. Copy of agreement and invoices provided at (000172-000183).

On October 9, 2005, in preparation for construction of sites, PCSI executed an agreement with Clark Nexen a firm specializing in civil engineering of telecommunications sites. To date, Clark Nexen has invoiced PCSI for work on all 38 sites of our design. Copy of agreement and invoices provided as (000184-000192, 000193-000237).

- (b) Paragraph 2 of the Declaration specifies that "[a]ll leases have been or will be executed by both parties as of December 20, 2005" for the ten EAs identified in subparagraphs a-j. Identify the location of each of the sites referenced therein and provide copies of all such leases, contracts or other Documents referenced therein. Preferred Communication Systems, Inc.

During the fall 2005 Charles Ryan III on behalf of Preferred negotiated lease agreements with American Tower, Crown Castle, Crown Castle of Puerto Rico, BGE, CNS, Global Signal, Pinnacle, Lattice Communications, Pegasus Tower, Kaler, and Spectrasite for space on the towers. The leases were executed in the fall and winter of 2005 and 2006. The CA American tower leases were delayed in execution by American Tower due to changes in their lease Copies. Copy of agreement provided as (000238-000730).

- (c) Paragraph 2 of the Declaration specifies that Preferred "has submitted firm purchase orders and/or has on hand all radios, antennas, cabinets, cabling and other construction related material necessary to construct", each of the sites identified in subparagraphs a-j. Provide copies of all such purchase orders, invoices, and cancelled checks for all such equipment and related materials identified therein, and specify the location(s) of all such equipment.

On or about November 10, 2005, an agreement was reached with Tidewater concerning the acquisition and purchase of equipment. A wire in the amount of \$150,000.00 was

issued as down payment for the equipment. The equipment order, invoices and payments are provided as (000731-000736, 000737-000751).

INQUIRY 36

Describe the corporate structure of Preferred Spectrum Acquisitions Corp. ("PSAC").

Preferred Spectrum Acquisition, Inc. ("PSA") was formed as a wholly-owned subsidiary corporation of Preferred to participate in FCC Auction #44. When it failed to raise a sufficient deposit to bid on upon a considerable number of licenses, Preferred determined not to participate in that Auction. PSA has been inactive since 2004.

- (a) Describe the ownership of PSAC. Identify all Principals, officers, and directors of PSAC and specify their holdings in PSAC.**

PSAC has been inactive since 2004 and is a defunct company without principles officers and directors.

- (b) Identify all employees, consultants, contractors, agents, or others employed by or acting on behalf of PSAC.**

PSCA has no employees, consultants, contractors, agents, or others and has never had anyone acting on its behalf.

- (c) PSAC's FCC Form 175 filed with the Commission on May 8, 2002, lists Charles D. Guskey as an authorized bidder.**

- i) Describe Mr. Guskey's relationship to PSAC.**

Other than acting as a bidder on PSA's behalf in Auction #44, Mr. Guskey was not intended to have any role with that company.

- ii) Describe Mr. Guskey's relationship to PCSI.**

Mr. Guskey advanced approximately \$320,000 to Preferred during 1998-1999. Since that date he and the Core Group members have been engaged in discussions with respect to their respective share ownership of the Company. Please refer to the Response to Inquiry #1.

- iii) State whether Mr. Guskey has ever been convicted of a felony. Is so, provide certified copies of all such convictions and sentencing documents related to Mr. Guskey's felony conviction.**

Mr. Guskey has not been convicted of a felony.

INQUIRY 37

Describe the corporate structure of Preferred Partners, LLC ("PPL").

Based upon comments provided by Mr. Pendleton Waugh in preparation for this response, Preferred Partners, LLC ("Preferred Partners") was formed to participate in FCC Auction #58. Charles M Austin was unaware of the creation of this limited liability company. When this limited liability company failed to raise considerable funds for a deposit to bid upon several licenses in this Auction, its management determined not to participate in the Auction. To his knowledge and belief, this limited liability company has been inactive since 2005.

(a) Describe any relationship between Clementine A. Estrada and PCSI.

Currently, no relationship exists between Ms. Estrada and PCSI. Please refer to the response to Inquiry 20.

(b) State whether PCSI or any of its affiliates or subsidiaries holds any ownership interest in PPL. If so, describe the nature and extent of that interest and provide all Documents regarding such interest.

No Preferred-related entity has any interest in this limited liability company.

(c) State whether the Hebrank-Waugh Voting Trust holds any interest in PPL. If so, describe the nature of that interest and provide all Documents regarding such interest.

The Company has no knowledge of PPL's ownership structure.

(d) Describe Pendleton C. Waugh's relationship to PPL.

PCSI has no knowledge of Mr. Waugh's relationship to PPL.

INQUIRY 38

State whether PCSI and/or its affiliates and/or subsidiaries have ever acquired any ownership interests in any wireless licensee(s). If so, identify the wireless licensee, state when PCSI and/or its affiliates and/or subsidiaries acquired such interest, and describe the nature and extent of the interest held.

PCSI, PAI and Charles M Austin do not have any other reportable interest in any other wireless licensee.